# Rail Infrastructure Loan Program - Report for Fiscal Year 2012

This report on the rail infrastructure loan program is required under Section 15a (4) of Public Act 295 of 1976, as amended (MCL 474.65a(4)).

Originally established under appropriation boilerplate in 1997 to help finance capital improvements on Michigan's freight railroad infrastructure, the rail infrastructure loan program, also known as the Michigan Rail Loan Assistance Program (MiRLAP), was created in statute in 2002. The loan program helps preserve and improve freight railroad infrastructure by making interest free loans to railroads, local governments, economic development corporations, and current or potential users of freight railroad services for qualifying projects. Money received as repayment for loans made under this program, together with interest earned and any penalties assessed and received for failure to repay loans on time are credited to the fund to be allocated for the purposes of the program. Through this revolving fund, loans can continue to be made for rail infrastructure improvements in perpetuity.

The program has made nearly $15.3 million in loans since its inception. In all, thirty-seven loans have been awarded to twenty-six separate applicants throughout the state.

**Rail Infrastructure Loan Fund**

At the beginning of fiscal year (FY) 2012, the balance of the Rail Infrastructure Loan Fund was $7,773,996.64. Interest earnings of $5,452.37 increased the fund balance to $7,779,449.01.

**Status of Projects**

Repayments of earlier loans replenished the fund balance enough to allow an application window during FY2012, the first since $5.7 million was legislatively transferred from the fund at the end of FY2010 as part of an overall effort to address the General Fund shortfall. Four applications were received and continue to be evaluated internally. Recommended projects will be sent to the Michigan State Transportation Commission for approval.

Information on all currently-outstanding loan contracts funded under the program, as well as all loans paid in full during FY2012, is provided on the attached chart entitled "Status of Rail Infrastructure Loan Agreements". All loans remain in good standing.

**Loans Outstanding**

At the beginning of FY 2012, outstanding loans amounted to $3,886,118.21. Loan repayments of $1,402,162.92 reduced the amount of outstanding loans to $2,483,955.29. No additional disbursements were made in FY 2012.

**Amount Available for New Loans**

At fiscal year end 2012, the Rail Infrastructure Loan Fund had a balance of $7,779,449.01. The fund has outstanding loans of $2,483,955.29, leaving $5,295,493.72 available for disbursement. An additional $5,459.71 is obligated, but not yet disbursed, leaving an unobligated balance of $5,290,034.01.

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| Status of Active Rail Infrastructure Loan Agreements as of September 30, 2012* | | | | | | |
|---|---|---|---|---|---|---|
| Company | Contract # | FY | Loan Amount | Amount Disbursed | Amount Repaid | Amount Outstanding |
| Norfolk Southern Corporation | 1999-0317 | 1999 | $424,804.59 | $424,804.59 | $424,804.59 | $0.00 |
| Monitor Sugar Company | 2000-0292 | 2000 | $573,000.00 | $573,000.00 | $472,725.00 | $100,275.00 |
| Charlotte Southern Railway Company | 2000-0740 | 2000 | $135,000.00 | $135,000.00 | $126,630.00 | $8,370.00 |
| Detroit Connecting Railroad Company | 2000-0741 | 2000 | $49,593.54 | $49,593.54 | $45,874.08 | $3,719.46 |
| Lapeer Industrial Railroad Company | 2000-0742 | 2000 | $40,000.00 | $40,000.00 | $37,000.00 | $3,000.00 |
| Lake State Railway Company | 2001-0938 | 2001 | $898,750.25 | $898,750.25 | $898,750.25 | $0.00 |
| CSX Transportation Inc. | 2002-0328 | 2002 | $672,603.00 | $672,603.00 | $571,744.00 | $100,859.00 |
| Lapeer Industrial Railroad Company | 2001-0368 | 2001 | $78,800.00 | $78,800.00 | $65,010.00 | $13,790.00 |
| Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway) | 2003-0495 | 2003 | $280,163.77 | $280,163.77 | $228,584.70 | $51,579.07 |
| Luce County Economic Developent Corporation | 2003-0494 | 2003 | $198,000.00 | $198,000.00 | $148,500.00 | $49,500.00 |
| Wayne Industries, Inc. | 2003-0496 | 2003 | $74,947.00 | $74,947.00 | $74,947.00 | $0.00 |
| Indiana Northeastern Railroad | 2004-0233 | 2004 | $360,000.00 | $360,000.00 | $279,000.00 | $81,000.00 |
| Lake State Railway Company | 2004-0236 | 2004 | $396,589.61 | $396,589.61 | $218,124.28 | $178,465.33 |

| | | | | | | |
|---|---|---|---|---|---|---|
| J. Rettenmaier USA LP | 2004-0228 | 2004 | $450,552.88 | $450,552.88 | $292,864.00 | $157,688.88 |
| Lake State Railway Company | 2005-0155 | 2005 | $458,069.54 | $458,069.54 | $458,069.54 | $0.00 |
| Great Lakes Central Railroad (Tuscola & Saginaw Bay Railway) | 2005-0142 | 2005 | $247,948.00 | $247,948.00 | $167,364.90 | $80,583.10 |
| Detroit Connecting Railroad Company | 2005-0140 | 2005 | $90,000.00 | $90,000.00 | $24,750.00 | $65,250.00 |
| Adrian & Blissfield Rail Road | 2005-0138 | 2005 | $171,000.00 | $171,000.00 | $47,025.00 | $123,975.00 |
| National Standard, LLC | 2006-0260 | 2006 | $625,136.62 | $619,676.91 | $285,991.31 | $333,685.60 |
| Fresh Solution Farms, LLC (L. Walther & Sons, Inc.) | 2006-0261 | 2006 | $1,000,000.00 | $1,000,000.00 | $350,000.00 | $650,000.00 |
| Saginaw Bay Southern Railway Company | 2008-0199 | 2008 | $640,027.44 | $640,027.44 | $640,027.44 | $0.00 |
| Columbian Enterprises | 2008-0200 | 2008 | $72,540.00 | $72,540.00 | $19,948.50 | $52,591.50 |
| Tri-State Forest Products, Inc. | 2009-0210 | 2009 | $554,352.73 | $554,352.73 | $124,729.38 | $429,623.35 |
| | | | **$8,491,878.97** | **$8,486,419.26** | **$6,002,463.97** | **$2,483,955.29** |
| **Total Loans Outstanding** | | | | | | **$2,483,955.29** |

*includes loans paid in full during FY2012

**Rail Freight Fund – Report for Fiscal Year 2012**

This report on the Rail Freight Fund (RFF) is required by MCL 474.65a(4). The Department's authority to deposit funds in the Rail Freight Fund and to provide financial assistance for facilities of rail freight and marine freight transportation is specified in MCL 474.67.

The amount of the fund at the beginning of FY 2012 was $1,280,781.95. Revenues totaling $402,868.02 increased the balance to $1,683,649.97. Expenditures made from the fund during the fiscal year totaled $385,081.33. The fund balance at the close of the fiscal year was $1,298,568.64.

The balances above include an outstanding encumbrance totaling $211,884.40, which is being held in escrow relating to a loan to Global Engine Asset Co, LLC.

No new projects were funded from the RFF in FY 2012.

The FEDP projects that previously received funding from the RFF and are still under contractual obligation to repay the loans are listed on the attached chart entitled, "Status of Freight Economic Development Loans that Received Funding from the Rail Freight Fund".

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## Status of Freight Economic Development Program (FEDP) Loans that Received Funding from the Rail Freight Fund

| Company | Contract No. | FY | Total Cost of Project | Amount Funded from RFF | Amount Disbursed | Amount Paid Back |
|---|---|---|---|---|---|---|
| Global Engine Asset Co., LLC * | 2004-0339 | 2004 | $1,059,422.00 | $339,252.61 | $529,711.00 | $244,553.17 |
| Lake State Railway Co. - A&L Iron** | 2004-0237 | 2005 | $2,437,340.00 | $161,855.00 | $1,357,565.95 | $0.00 |
| Dearborn Steel Center *** | 2011-0228 | 2011 | $316,775.00 | $158,387.50 | $86,925.60 | $0.00 |
| *Total FEDP Loans - Funded from the RFF**** | | | $3,813,537.00 | $659,495.11 | $1,974,202.55 | $244,553.17 |

* Global Engine Asset Co., LLC (2004-0339) received $529,711.00 in FEDP loan funding; however, only $339,252.61 was from the Rail Freight Fund; the balance of funding was from other sources. In FY 2010, $423.768.80 was returned to MDOT from the existing Letter of Credit (LOC) when the company could not obtain a new LOC to secure the loan. Of this, $211,884.40 remains held in escrow.

** Lake State Railway Co. (2004-0237) received $971,609.95 in FEDP loan funding as well as surplus state-owned track materials valued at $385,956; however, only $161,855.00 was from the Rail Freight Fund; the balance of funding was from other sources. The company met its rail usage commitment during the repayment period and the last portion of the loan was forgiven during FY2012. The figures shown for "total cost of project" and "amount funded from RFF" have been corrected from prior reports to reflect only the rail infrastructure project costs and include the value of the surplus rail, respectively.

*** The Dearborn Steel Center project (2011-0228) is still active; not all invoices had been received and paid before the end of FY2012.

**** *These are all FEDP loans active during FY2012 and funded, at least in part, from the RFF. The recipients are under contractual obligation to repay the loans unless they meet certain rail usage requirements.*